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Message Text

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ACTION EB-08

INFO OCT-01 EA-12 ISO-00 AID-05 CIAE-00 COME-00 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 AGRE-00 DOE-15 SOE-02 L-03 H-02 PA-02
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----------038432 240934Z /15
R 240732Z APR 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 4703

UNCLAS SECTION 1 OF 2 MANILA 6478

E.O. 11652: N/A
TAGS: ETRD, BEXP, RP
SUBJECT: INTERAGENCY TASK FORCE TO DEVELOP A NATIONAL EXPORT POLICY

REF: STATE 095673

SUMMARY: EMBASSY MANILA'S SUGGESTIONS AND COMMENTS COVER MORE COMPETITIVE EXIMBANK FINANCING, U.S. TAX AND ANTITRUST LEGISLATION, AND STATE/COMMERCE SUPPORT OF EXPORT PROMOTION. WE BELIEVE, ABOVE ALL, THAT USG HAS TO CREATE A NATIONAL EXPORT POLICY/PROGRAM FOR THE LONG HAUL, AND PUT IT ON THE SAME SOLID BASIS AS OUR TRADE LIBERALIZATION PROGRAM HAS BEEN SINCE 1934. END SUMMARY.

1. AS A FIRST STEP. WE STILL HAVE SOMEHOW TO CREATE A FOREIGN TRADE CONSCIOUSNESS AMONG US CORPORATIONS AND THE PUBLIC AT LARGE. (A LONG OVERDUE AND BIG STEP IN THIS DIRECTION WOULD BE TO GET SERIOUS ABOUT CONVERTING TO THE METRIC SYSTEM.)

2. WE NEED TO GET MORE MEDIUM AND SMALL SIZE, NEW-TO-MARKET BUSINESSES INTO THE PHILIPPINE MARKET. USG ENCOURAGEMENT OF FOREIGN TRAVEL BY US BUSINESSMEN AND THEIR PARTICIPATION IN TRADE MISSIONS SHOULD BE EFFECTIVE IN THE PHILIPPINES WHERE FACE TO FACE CONTACT IS IMPORTANT. LOW PRICED
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OR SUBSIDIZED TRADE MISSION PAKAGES MAY BE NECESSARY TO BRING ABOUT PARTICIPATION OF SMALL AND MEDIUM SIZE US FIRMS. IN THIS CONNECTION EMBASSY SUGGESTS WASHINGTON AGENCIES TAKE A LOOK AT CANADA'S PROGRAM FOR EXPORT MARKET DEVELOPMENT (PEMD) WHICH WAS DEVELOPED IN EARLY 1970S AND REPORTED ON EXTENSIVELY BY EMBASSY OTTAWA.

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3. AMERICAN BUSINESSMEN RESIDENT IN MANILA MAKE A BIG
THING ABOUT ALLEGED UNCOMPETITIVENESS OF EXIMBANK
FINANCING, WHICH THEY SAY IS CRITICAL FOR BIG TICKET
ITEMS. THEY CLAIM US COMPANIES ARE CONSTANTLY LOSING
OUT TO JAPANESE, GERMANS, FRENCH AND BRITISH BECAUSE
OF MORE FAVORABLE EXPORT FINANCING MADE POSSIBLE BY
GOVERNMENTS OF THOSE COUNTRIES. SPECIFICALLY, AMERICAN
BUSINESSMEN IN MANILA RECOMMEND LONGER TERM EXIMBANK
FINANCING, I.E., 8 TO 20 YEARS VERSUS PRESENT 3 TO 7
YEARS, GRACE PERIODS OF UP TO 3 YEARS, AND LOWER INTEREST
RATES. EMBASSY BELIEVES WASHINGTON MUST EXAMINE THE
POLICY ISSUE OF WHETHER OUR BALANCE OF PAYMENTS IS
MORE IMPORTANT THAN THE ECONOMIC ALLOCATION OF RESOURCES
AND, IF SO, START SUBSIDIZING EXPORTS AS OTHER COUNTRIES
DO, IF IN FACT EXIMBANK IS NOT COMPETITIVE. (REACTION
OF AMERICAN BUSINESS HERE IS RAUCOUS LAGHTER WHENEVER
WE MENTION GENTLEMEN'S AGREEMENT BETWEEN EXIMBANK AND
ITS FOREIGN COUNTERPARTS WITH REGARD TO CREDIT TERMS.)
ANOTHER SUGGESTION IN RE EXIMBANK IS FOR IT TO LEAD THE
WAY, AS OTHER NATIONAL EXPORT BANKS DO, IN PROMOTING
FINANCING FOR MAJOR FOREIGN PROJECTS IN WHICH US FIRMS
ARE SEEKING BUSINESS.

4. OUR AGRICULTURAL ATTACHE BELIEVES WE SHOULD DEVELOP
AN INTERMEDIATE CREDIT PROGRAM, I.E., 7 TO 10 YEARS, TO
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INCREASE US AGRICULTURAL EXPORTS TO THIS MARKET. THE US
IS THE SOURCE OF 40 TO 50 PCT. OF PHILIPPINE AGRICULTURAL
IMPORTS; CONVERSELY, 15 PCT. OF TOTAL US EXPORTS TO THE
PHILIPPINES IN 1977 WERE AGRICULTURAL ($186 MILLION).
INTERMEDIATE CREDIT COULD BE USED TO FINANCE LIVESTOCK
AND MAYBE HOGS, AND AS HERDS ARE ESTABLISHED AND ENLARGED
THIS COULD CREATE A MARKET FOR INCREASED US SALES OF
GRAINS AND FEEDS. CATTLE BREEDERS PARTICULARLY MIGHT
BE RESPONSIVE TO INTERMEDIATE CREDIT BECAUSE THEIR
BREEDING-INCOME CYCLE IS MORE THAN 3 YEARS.

5. OUR AMERICAN BUSINESS FRIENDS IN MANILA RECOMMEND
THAT THE TASK FORCE "REVIEW ALL US TAX LEGISLATION
WHICH DISCOURAGES EXPORTS OR INVESTMENT ABROAD, WHICH
EXPORTS/INVESTMENTS ARE JOB-CREATING IN THE UNITED STATES".
THEY REFER SPECIFICALLY TO THE PROBLEM OF SECTION 911
OF THE INTERNAL REVENUE CODE AND THE PRESENT LEGISLATIVE
PROPOSAL TO ELIMINATE CORPORATE TAX DEFERRAL ON EARNINGS
ABROAD. THEY CITE THE NEGATIVE PSYCHOLOGICAL IMPACT
OF SUCH LEGISLATION ON AMERICAN BUSINESSMEN, INCLUDING
THE EROSION OF DECISION MAKING THAT FAVORS US SOURCING
OF MATERIALS AND EQUIPMENT REQUIRED IN THEIR ENTERPRISES

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CEA-01 AGRE-00 DOE-15 SOE-02 L-03 H-02 PA-02
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6. OUR LOCAL AMERICAN BUSINESS FRIENDS GO SO FAR AS TO SAY THAT IT IS NOT ENOUGH FOR USG TO LEAVE EXPORT PROMOTION TO BUSINESS. BUSINESS IS LOOKING TO GOVERNMENT FOR LEADERSHIP, PARTICULARLY WHEN BUSINESS FEELS CONSTRAINED BY LAWS AND GOVERNMENTAL REGULATIONS AND POLICIES. THEY ADVOCATE STARTING FROM SCRATCH, FOR THE US GOVERNMENT TO GET CRAKING ON "ECONOMIC MOBILIZATION", TO HAVE A FRESH LOOK AT OUR INTERNATIONAL ECONOMIC AGREEMENTS AND EVEN OUR MFN ARTICLE OF FAITH. MFN, THEY SUGGEST, MIGHT BE REPLACED BY A POLICY OF STRICT RECIPROCITY ON A BILATERAL BASIS AROUND THE WORLD.

7. US ANTITRUST LEGISLATION IS OFTEN CITED BY US BY OUR AMERICAN BUSINESS FRIENDS AS AN IMPEDIMENT TO VIGOROUS EXPORT/INVESTMENT PROMOTION; BUT SELDOM IS THE CITATION SUPPORTED WITH SPECIFICS. ONE PLEA WE HAVE RECENTLY HEARD MAY, HOWEVER, BE WORTH CONSIDERING, AND THAT IS THE RENDERING OF ADVISORY OPINIONS OR EVEN COMMITMENTS BY THE US JUSTICE DEPARTMENT OR FEDERAL TRADE COMMISSION UPON APPLICATION BY US BUSINESS ENTERPRISES.

8. IF WE ARE SERIOUS ABOUT EXPORT PROMOTION, THE DEPARTMENT WILL REALLY HAVE TO GIVE IT HIGH PRIORITY
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AND FINANCIAL AND PERSONNEL RESOURCES.FOR STARTERS,
AT MANILA, THE DEPARTMENT COULD RESTORE THE E/C POSITION
ABOLISHED IN SEPTEMBER 1977. DEPARTEMENT OF COMMERCE
ALSO WILL HAVE TO GET SERIOUS IN TERMS OF RESOURCE
ALLOCATION. ABOVE ALL, THE 43 DISTRICT OFFICES HAVE
TO BE REVITALIZED AND PROFESSIONALIZED. COMMERCE ALSO
SHOULD COME OFF ITS PREOCCUPATION WITH (EXPENSIVE)
TRADE CENTERS AND BIG EVENTS, AND PAY MORE ATTENTION
TO BEEFING UP THE TOUTING EXCELLENT BREAD AND BUTTER
SERVICES LIKE TOPS, WTDRS, ADS AND SUPPLYING BASIC
TRADE AND ECONOMIC INFORMATION ABOUT FOREIGN MARKETS.

9. THIS VIEW WAS HIGHLIGHTED BY A CANVASS OF EMBASSY'S
E/C SECTION IN RE OUR CURRENT EXPORT PROMOTION PROGRAMS
WHICH BROUGHT RESPONSE FROM YOUNGER OFFICERS, WITH FRESHER
VIEWS ON COMMERCIAL PROMOTION, THAT OUR EFFORTS ARE
MISDIRECTED, INEFFECTIVE, AND HIT-OR-MISS. ONE SUGGESTED
REMEDY WAS TO SCRUB OUR BIG EVENTS (TRADE SHOWS
AND MISSIONS) AS WASTEFUL AND GET OUR LIMITED PERSONNEL
OUT OF THE OFFICE AND INTO THE MARKETPLACE TO GIN UP
MORE TRADE OPPORTUNITIES AND CONTACTS. OUR FOLLOW-UP
WOULD THEN CONSIST OF FUNCTIONING AS OFFICE AWAY FROM
HOME FOR US FIRMS COMING TO MANILA TO PURSUE TRADE LEADS.

10. FINALLY, EMBASSY MANILA WOULD LIKE TO SUGGEST THAT
WE GET RID OF THE "CRASH PROGRAM"MENTALITY, WHICH
SUBJECT TASK FORCE, WITH ITS 60-DAY DEADLINE, SEEMS
TO REPRESENT. THE US BALANCE OF PAYMENTS HAS BEEN IN
DEFICIT MOST OF THE TIME SINCE 1954, AND WE ARE IN
PRESENT STRAITS OVER THE LONG HAUL. LET'S STOP
RATIONALIZING OUR PRESENT TRADE DEFICIT IN TERMS OF
THE US BEING THE ONLY LOCOMOTIVE THAT'S PULLING, AND
ADMIT THAT IT IS BECAUSE WE CANNOT GET OUR ENERGY ACT
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TOGETHER AND BECAUSE US INDUSTRY HAS BECOME LESS
COMPETITIVE (AUTOMOBILES, TELEVISION, STEEL, ETC.).
LET'S LOOK AT BOTH SIDES OF THE PROBLEM, IMPORTS AND
EXPORTS, AND FOR HEAVEN'S SAKE, LET'S NOT FLAG IN OUR
EFFORTS TO ACHIEVE A SUCCESSFUL TOKYO ROUND OF MTNS BY
THE END OF THIS YEAR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, EXPORTS, DEVELOPMENT BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Document Source: CORE
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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From: MANILA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t19780424/aaaaaugs.tel
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Litigation Code IDs:
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Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 STATE 95673
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2871421
Secure: OPEN
Status: NATIVE
Subject: INTERAGENCY TASK FORCE TO DEVELOP A NATIONAL EXPORT POLICY
TAGS: ETRD, BEXP, EFIN, RP, XMB
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/7acdc9a8-c288-dd11-92da-001cc4696bcc
Review Markings:
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